

**Topical Heading**

## Federal Student Aid

**Program Title**

## Federal Perkins Loan Program

**Also Known as**

Formerly National Defense Student Loan, National Direct Student Loan, and Perkins Loan Program

**CFDA # (or ED #)**

84.038

**Administering Office**

Federal Student Aid (FSA)

**Who May Apply (by category)**

Individuals, Institutions of Higher Education (IHEs)

**Who May Apply (specifically)**

IHEs may apply for an allocation of funds to be awarded to undergraduate, vocational, or graduate students enrolled or accepted for enrollment at participating schools.

**Current Competitions**

Formula grants are made directly to eligible postsecondary institutions.

**Type of Assistance (by category)**

Formula Grants, Loans

**Type of Assistance (specifically)**

Perkins Loan allocations are made to eligible institutions for the purpose of providing low-interest loans to needy undergraduate and graduate students attending eligible institutions. Institutional allocations for new Federal Capital Contributions (FCC) are made to institutional revolving funds based on institutional requests for program funding under a statutory formula. Under the funding formula, funds are distributed to institutions, first, on the basis of the institution's base guarantee plus the *pro rata* share received during the 1999–2000 award year under the Perkins Loan Program and, then, on the basis of the aggregate need of the eligible students in attendance. Institutions must contribute 25 percent of the funding. In addition, institutions receive payments to compensate them for the cost of certain statutory loan cancellation provisions. Students receive Perkins loans from participating institutions after filing the *Free Application for Federal Student Aid (FAFSA)* to determine their financial need.

**Appropriations**

Fiscal Year 2004      \$165,429,000

Fiscal Year 2005      \$66,132,000

Fiscal Year 2006      \$65,471,000

**Fiscal Year 2006 Awards Information**

*Note: The Department is not bound by any estimates in this notice.*

Amount of Aid Available: \$1,134,733,000

Amount of Aid Available represents the amount of funds awarded to participants in the Federal Student Aid programs. Depending upon the program, this total may include federal appropriated dollars, institutional or state matching dollars, and federal or private loan capital.

Number of New Awards Anticipated: 523,884

Average New Award: \$2,166

Range of New Awards: Up to \$4,000 per year for undergraduates; up to \$6,000 per year for graduate students.

**Legislative Citation**

*Higher Education Act of 1965*, as amended, Title IV, Part E; 20 *U.S.C.* 1087aa–1087ii.

**Program Regulations**

34 *CFR* 673 and 674

**Program Description**

The Federal Perkins Loan Program provides low-interest loans to help needy students finance the costs of postsecondary education. Students can receive Perkins loans at any one of approximately 1,800 participating postsecondary institutions. Institutional financial aid administrators at participating institutions have substantial flexibility in determining the amount of Perkins loans to award to students who are enrolled or accepted for enrollment. Borrowers who undertake certain public, military, or teaching service employment are eligible to have all or part of their loans canceled. In general, schools are reimbursed for 100 percent of the principal amount of the loan canceled, and the reimbursement must be reinvested in the school's revolving loan fund. These institutional reimbursements for loan cancellations are an entitlement. In FY 2004, FCC contributions were \$98.8 million and cancellations were \$66.7 million; in FY 2005, FCC contributions were \$0 million and cancellations were \$66.2 million, and in FY 2006, FCC contributions were \$0 and cancellations were \$65.5 million.

Loan volume in the program comes from: (1) newly appropriated FCC contributions and loan cancellation payments; (2) an institutional matching contribution equaling at least one-third of the FCC contribution; and (3) school-level collections on prior-year student loans.

Financial need is determined by the Department of Education, using a standard formula, established by Congress, to evaluate the financial information reported by the student on the *Free Application for Federal Student Aid (FAFSA)*. The information from the *FAFSA* then determines the student's expected family contribution (EFC). The fundamental elements in this standard formula are the student's income (and assets, if the student is independent), the parents' income and assets (if the student is dependent), the family's household size, and the number of family members (excluding parents) attending postsecondary institutions. The EFC is the sum of: (1) a percentage of net income (remaining income after subtracting allowances for basic living expenses) and (2) a percentage of net assets (assets remaining after subtracting an asset protection allowance). Different assessment rates and allowances are used for dependent students, independent students without dependents, and independent students with dependents. After filing a *FAFSA*, the student receives a *Student Aid Report (SAR)* or the institution receives an *Institutional Student Information Record (ISIR)*, which provides the student's EFC.

**Education Level (by category)**

Postsecondary, Vocational

**Subject Index**

Student Financial Aid, Student Loan Programs

**Contact Information**

Name: Federal Student Aid Information Center  
Toll Free Telephone: (800) 433-3243 or (800) 4FED-AID

**Links to Related Web Sites**

<http://ifap.ed.gov>